



ACOM POLICY 320, ATTACHMENT A,

CMS APPROVED RETROACTIVE CAPITATION RATE ADJUSTMENT METHODOLOGY - ONE MONTH METHOD OF PAYMENT OF HEALTH INSURER FEE (HIF)

Arizona Health Cost Containment System (AHCCCS) received approval from CMS in August 2014 to perform a retroactive adjustment of already approved capitation rates to incorporate the impact of the Health Insurer Fee (HIF). This retroactive adjustment is limited to one month of historical capitation rates per year in order to reduce stress on the system associated with a mass adjustment associated with a full year of capitation rates. A one-time adjustment also permits easy identification for data analysis purposes where its inclusion would not be appropriate.

The adjustment includes the HIF liability as determined by the Treasury Department and also incorporates the corporate tax liability the Contractors will incur related to the HIF, allocated by program, risk group and/or GSA as appropriate.

2014 HIF

A retroactive adjustment of the September 2013 capitation rates was used to accommodate the 2014 HIF (which is based on calendar year 2013 revenue). Because CYE 2014 was the start of a new contracting cycle due to several RFPs, certain Contractors were no longer contracted with AHCCCS in CYE 2014. Adjusting the September 2013 capitation rates allowed AHCCCS a mechanism to pay Contractors who were no longer contracted with AHCCCS.

Because a Contractor entered the AHCCCS program after September 2013, the September 2013 capitation payment for this Contractor consists only of Prior Period Coverage (PPC) enrollment. Therefore, AHCCCS adjusted the Contractor's September 2013 PPC capitation rates to accommodate the HIF related to revenue from September through December 2013.

2015 HIF

For the 2015 HIF (which is based on calendar year 2014 revenue), a retroactive adjustment in calendar year 2015 of the October 2014 capitation rates will be used. This will allow AHCCCS to avoid adjusting CYE 2014 capitation rates due to the withhold complication that existed in CYE 2014.

2016 and future HIF

For the 2016 HIF and future years (which will each be based on prior year revenue), the pattern for the 2015 HIF would be repeated, that is, retroactively adjust capitation rates from the prior October. Of course AHCCCS may have to amend this plan if unexpected complications arise such as a Contractor exiting/entering the program. If in the future AHCCCS' actuaries believe the HIF can be accurately estimated by Contractor, risk group or GSA as appropriate, then AHCCCS may consider building the HIF into the capitation rates prospectively. A reconciliation of the HIF may be required in that case.